



March 1, 2023

Co-Chair Michael Dembrow  
Co-Chair Khanh Pham  
Joint Subcommittee on Natural Resources  
900 Court Street NW  
Salem, Oregon 97301

**RE: HB 5016, Oregon Department of Energy Budget.**

Dear Co-Chair Dembrow, Co-Chair Pham, and Members of the Subcommittee:

Oregon Municipal Electric Utilities Association (OMEU) is made up of eleven municipally owned and operated electric utilities. The Oregon People's Utility District Association (OPUDA) includes all of Oregon's six PUDs. The Oregon Rural Electric Cooperative Association (ORECA) represents 18 electric cooperatives. As consumer-owned utilities (COUs) we are directly accountable to the people we serve through our city councils and local governing boards. Our rates are not-for-profit and set to cover the costs of service, not to earn a rate of return for investors.

Thank you for the opportunity to comment on Governor Kotek's proposed 2023-25 budget for the Oregon Department of Energy (ODOE). As the Subcommittee knows, a substantial portion of ODOE's funding comes from an energy supplier assessment (ESA), which all fuel suppliers—including electric utilities—pay. After the legislative session concludes and decisions have been made about how to fund new legislation and agency initiatives, ODOE then issues invoices to our utilities to pay for this work.

COUs are becoming increasingly concerned about the growth in the ESA, particularly given record high inflation, arrearages from the pandemic, and the skyrocketing cost of running a utility. For example, recently Ashland Electric received a 16.5% price escalation for a transformer that was ordered just two months prior.

We appreciate Governor Kotek's direction to agencies to focus on "core services." We couldn't agree more. While her ODOE budget proposal assumes a 5.4% increase in the ESA, there are several bills under consideration that would create new duties for the agency, or programs housed at ODOE, that could result in another sizeable increase in the ESA (e.g. – HB 2534, HB 3166, SB 522, SB 530) if enacted. These increases must be passed on to our customers, many of whom are energy burdened and struggle to pay their utility bills.

Looking at ODOE's last biennial budget, we have reason to be concerned. Governor Brown had proposed an ODOE budget that assumed a 5.08% increase in the ESA, but with the multitude of new ODOE assignments, ***the Legislatively enacted budget required a 12% ESA increase.***

Our plea to the Subcommittee is to not look at just ODOE's GF expenditures. Please apply the same scrutiny to proposals that would increase the ESA. In this economic environment, the Subcommittee must be judicious about what ODOE is asked to do because our customers foot the bill in their rates.

We do not support the \$250,000 in ESA dollars for an Energy Research Fund. According to agency testimony on February 21<sup>st</sup>, this fund would be used to hire consultants to do research on unnamed topics of the agency's choosing. We prefer the recent approach of research on legislatively directed study topics where there is broad consensus among policymakers about what topics to study and funding decisions are made concurrently. However, if the Legislature opts to fund this policy option package (POP), we recommend GF or Federal dollars be used.

We also do not support the proposed POP of \$130,370 in ESA dollars to supplement Energy Facility Siting Council (EFSC) siting fees paid by renewable developers. The vast majority of our utilities receive 100% of our power supply from the Bonneville Power Administration (BPA). Since COUs are not siting energy projects, we object to funding the EFSC since it has no connection to our work. Any work related to EFSC not covered by developer fees should be paid through the GF.

Following Governor Kotek's direction to focus on core services, this Subcommittee should take an active role in examining what the core services of ODOE are and resist the temptation to layer on new assignments. COUs are making these choices at our utilities and stand ready to help with this examination.

We also appreciate there are a number of unique opportunities that Congress has made available through the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA), including some that will require state match. We are supportive of GF investments that will enable Oregon utilities and other eligible entities to take advantage of these Federal dollars. GF dollars are an appropriate fund source for this match because utilities will also have matching requirements and should not have "pay twice" to participate. We are particularly excited about the agency's grid resilience grant application and thank the Subcommittee for your support of the requested GF appropriation.

COUs know now is not a time for a business-as-usual approach. We hope ODOE's legislatively adopted budget for the 2023-25 biennium reflects this reality.

Sincerely,

Jennifer Joly, Director, Oregon Municipal Electric Utilities Association [jenniferjoly@omeu.org](mailto:jenniferjoly@omeu.org)

Danelle Romain & Mike Freese, Lobbyists, Oregon People's Utility District Association  
[dromain@RFlawlobby.com](mailto:dromain@RFlawlobby.com) [mfreese@RFlawlobby.com](mailto:mfreese@RFlawlobby.com)

Ted Case, Executive Director, Oregon Rural Electric Cooperatives Association [tcase@oreca.org](mailto:tcase@oreca.org)